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Period3

Chapter 26 notes

**VII. Foreign Policy- Rise of Isolationism**

A. Charles Evans Hughes (Secretary of State) led an isolationist position.

B. The nation was gripped with post war anger over WWI and a fear of communism. The goal of Harding and Coolidge is to to steer clear of foreign entanglements which led to isolationism. Some argued that the Merchants of Death created the war.

C. the Open Door Policy continued to dominate US business goals and foreign policy.

D. Foreign Policy

1. Forced to pay reparations, Germany's economy was worthless. They experienced high inflation rates.

2. Financial Crisis in Europe - Germany could not pay the reparations, so European countries couldn't rebuild economy.

3. 5 Power Treaty to reduce naval power and 9 Power Treaty agree to respect China's independence. The naval treaty did not deal with air power or land forces which Japan was aggressively expanding. Japan was angered by American immigration limitations and White imperialism in Asia. This led to the Co-prosperity Sphere (Asia for the Asians). When the USA would not defend its interest in China, the Japanese began to move on China.

4. Evidence of a growing peace movement Kellogg-Briand Pact - Outlawed War (gave false sense of security) as a means of foreign policy, or was it wishful isolationism?

a) Jane Addams

b) FDR

c) Carnegie Endowment for International Peace

5. Good-Neighbor Policy - Latin America, this was an attempt to quell Yankee phobia for heavy handed policy under TR. Dollar Diplomacy and American interest outside of business had diminished and led to the Clark Memorandum under the Hoover Administration that stated that Roosevelt's Corollary to the Monroe Doctrine was improper. The US withdrew Marine units from Haiti, Dominican Republic and Nicaragua.

E. Diplomacy in the Depression Isolationist

1. Continue Good Neighbor Policy-does not go after business debts

2. Monetary Diplomacy-

a) Debts with German-Hoover Moratorium 1931

(1) 1933 Hitler is in power

(2) Rise of Third Reich

b) Failure of the gold standard

c) Tariffs

d) Lack of economic understanding by Hoover

3. Japan's aggression in Manchuria

a) Violated the Kellogg- Briand and Nine Power Treaty

b) Hoover-Stimson Non-Recognition Act -still traded oil and steel

4. Hawley Smoot Tariff 1930- increase 59 % on protectionism

5. Dawes Plan- provided Germany with $200 million loan designed to stabilize its currency

6. World Court -USA did not join due to isolationist - Rising Fascism

7. Mistrust and hostility was the result of American foreign policy and the action of both European and Asian nations- driving isolationism to new heights

**VIII. Election of 1928-Hoover Wins**

A. Herbert Hoover- Republican- Won

1. Conservative followed the code of the businessman and regulate via business voluntary actions.

2. Rugged Individualism

3. He was pro tariff and prohibition.

4. McNairy-Haugen Bill- created price supports for farmers

B. Al Smith Democratic-Catholic

1. Accused of being wet, and a socialist.

2. Anti-Catholicism from rural areas

3. Democrats look in trouble.

**IX. Early Optimism and Troubles**

A. Failure of the gold standard

B. Continue Good Neighbor Policy- does not go after business debts

C. Farm Bills- 1921 Agriculture Marketing Act

1. Money for farmers to stabilize wheat to appease the Farm Bloc- economically unsound practice- surplus

2. Not control for over production due to new technologies

3. Coolidge vetoed the bill

D. Tariff Problems

1. Increase tariff- Hawley-Smoot Tariff

- Foreign countries enacted retaliatory tariffs. US foreign trade declined sharply, and depression intensified

2. Thousands of economists wanted a veto. Huge problems resulted

E. Shrinking ownership of corporate American Automobile, tobacco, banking leading oligopolies (few control the majority) in each business area.

F. Lack of economic understanding by Hoover

1929 Crash Hoover-Rugged Individualism and the decline of conservatives-

A. JP Morgan attempts to support markets and fails

B. Causes of the crash - October 29, 1929 the Crash!!!

1. Poor distribution of wealth

2. over production and high inventories

3. Unbridled speculation

4. over use of credit and buying stocks on margin

5. Unemployment-production slow down

6. Agri-depression (The Dust Bowl)

7. Protective tariffs (Hawley-Smoot Tariff)

8. Weak banks and easy credit by the Federal Reserve.

a) Stock market speculation

C. 3 phases of Hoover's policies for recover

1. Phase 1 Conservative- Mellon's Liquidation policy rejected by Hoover.

a) Mellon liquidates - follow the business cycle and take no action.

b) Tariff more protectionism- Hawley Smoot Tariff illustrates Hoover's Anti-European prejudices.

c) Cut corporate and wealthy taxes

d) Federal Reserve Monetary Policy-Tight-no inflation keep balanced budget

2. Phase 2 Slightly moderate-European panic on falling off Gold Standard 1931 and defaulted on WWI debts to USA

a) He thought business should voluntarily maintain wages to ease suffering business only complied marginally and no real relief resulted.

b) Local charities created huge bread lines but the charities were soon overwhelmed.

c) Charities received minimal funding and relief

3. Phase 3 Slightly liberal

a) Glass Steagall Act- freed up 1 billion in gold to satisfy European conversion and eased the tight credit of the Federal Reserve and provided some controls on the Banking Industry.

b) Reconstruction of Finance Corporation lent money to business

c) Creates Deficit

d) Self-Liquidating projects $1.5 Billion in Public works-Colorado (Hoover) Dam

C. Suffering and Poverty

1. Homerville’s (small shanty towns), Hoover Blankets (newspapers), Hoover Flags (empty pockets)

2. A scavenger society resulted and people lived on what they could find to eat and burn to stay warm- both urban and rural America was hurting.

3. Okies and Arkies fled west to Oregon or California. Demographic change.

4. Bread lines and soup kitchens, Hoboes and beggars became common.

5. Bonus March on Washington DC- WWI veterans later burned out of Annicosta Flats. Hoover's brutal suppression of the protest further lessened his hopes for reelection.

6. Communist party gained few converts among farmers and industrial workers, but some intellectuals grasped the ideas of communism.

7. The Psychological costs of the depression were high:

a) Loss of ambition and hope.

b) Many never applied for public assistance, ashamed to be unemployed

c) Poor nutrition and public health

d) Children became burdensome.

D. Election of 1932

1. Rugged Individualism V. The New Deal

2. Hoover was considered negative and associated with the failure some what unfairly

3. FDR was considered positive and vague-promised gold standard and no deficits and gave the impression of a moderate or even conservative

4. FDR was the big winner people wanted proactive change